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ABSTRACT

Interviews with the chief executive officers of 14 small businesses revealed the leadership challenges that they face. Some of the challenges are the following: (1) creating change; (2) building a robust organization, with a well-defined structure, an effective management team, plans for succession, established delivery systems, and people who have mastery of their jobs; (3) dealing with employee concerns; (4) building solid client/customer relationships; and (5) providing resources. A comparison of the small business leaders' responses to these challenges offers an explanation for the differences in leadership response and the implications these differences have for the leadership development of people running small businesses. Analysis also shows that small business leaders have leadership development needs such as the following: learning to deal with the meshing of family and business relationships; improving the selection and training of top management; developing the ability to be a follower when necessary; developing the ability to work effectively with rules; and creating a learning network for themselves. (Names and companies of the chief executives interviewed are provided.) (KC)

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The Creative Opportunists: Conversations with the CEOs of Small Businesses

James S. Bruce

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About the Author

James S. Bruce is an Honorary Senior Fellow at the Center. He was formerly Senior Vice President and Director of Eastman Kodak Company, and Director of Corporate Relations Division, joining Eastman Kodak on July 31, 1939.

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Mr. Bruce has served on the Board of Directors of the Labor Policy Association, National Junior Achievement, Eastman Savings and Loan Association, and Blue Cross of Rochester Area. He has served as Chairman of the Board of Trustees of the Rochester Museum and Science Center and a trustee of the Rochester Chamber of Commerce, and the Chairman of the Board of Directors of Blue Cross of Rochester Area, a Senior Fellow at the Center for Creative Leadership (CCL) and a member of the Rochester Institute of Technology's Fellows Association.

Utilizing his background and the resources of both RIT and CCL he has created two project management training programs, RADMIS and COLAB, centered around two computer simulations which he designed.

He has published *The Intuitive Pragmatists: Conversations with Chief Executive Officers,* a study of the leadership styles of 14 CEOs of Fortune's 50 largest companies.

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Introduction

The importance of small businesses is evident in the statistics: 27 percent of the people employed in the U.S. in 1987 (excluding government employees, railroad employees, and self-employed individuals) worked for establishments of less than twenty people; almost 57 percent worked for establishments of less than one hundred people; from 1975 to 1987 the number of people employed by firms of less than one hundred employees grew 48 percent, whereas the number in firms employing one thousand or more grew only 14 percent (U.S. Bureau of the Census, 1991).

Peter Drucker (1986) estimates that forty million new jobs have been created by small and medium-sized businesses in the last twenty years—a time when Fortune 500 companies were permanently losing four to six million people.

It is thus crucial to have effective leadership in this sector. Unfortunately, the people who run small businesses are primarily on their own when it comes to defining and developing their leadership skills. Most studies of leadership in business have looked at large corporations, and most training programs have a similar focus, using models based on leadership in large corporations and basically serving managers from this sector.

If we are to help develop the leaders of small businesses, it is important to understand their distinctive situation. This report is an attempt to begin this process.

Background of This Report

In 1986 the Center published my report *The Intuitive Pragmatists: Conversations with Chief Executive Officers.* It was based on open-ended interviews that I conducted with thirteen former CEOs of such corporations as General Motors, Texaco, and Gulf Oil (see Appendix A for more information) and on my own experience in business (I was a senior vice president and director of the Eastman Kodak Company when, after forty-three years with that company, I retired in 1982). Essentially, that report examined the leadership requirements of large businesses.

One of the people who read that report was Bill Williams, the president and CEO of The Executive Committee (an organization

made up of the CEOs of small companies; see Appendix B). He contacted me to ask if I would be interested in doing similar interviews with members of TEC. I conferred with Walt Ulmer, the president and CEO of the Center, and his reaction was, "This is too good an opportunity to pass up."

After consulting with Center researchers, I decided to use fundamentally the same methodology in this study that I had used for *The Intuitive Pragmatists.* This makes it easier to compare the leaders of small businesses (frequently referred to hereafter, somewhat inelegantly, as LSBs) with the leaders of large corporations (or LLCs). It was thus I came into the world of small-business leadership.

The Structure of This Report

I will begin by briefly summarizing what I take to be fundamental leadership challenges that are faced by CEOs, regardless of the size of the business. Then, excerpting key sections of the interview material, I will compare the ways that the LSBs and LLCs respond to these challenges. Next, I will offer an explanation for the differences in leadership response that my comparison reveals. Finally, I will discuss the implications that these differences have for the leadership development of people running small businesses.

The Fundamental Leadership Challenges for CEOs

The key challenge faced by any CEO is to see that his or her organization is able to identify and respond to business opportunities. This challenge may be easier to discuss if it is divided into what I consider its various components: creating change, building a robust organization, dealing with employee concerns, building solid customer relationships, and providing resources.

Creating Change

If an organization is to identify and respond to opportunity, the CEO must be able to create change. A business stuck in the status quo will not survive. Creating change requires, first, a vision of the future. Then decisions must be made about how to reach that future (such decisions are typically intuitive, since there can be little hard data about conditions that don't yet exist). Finally, these decisions must be communicated to the organization (and intuitive decisions are the hardest to communicate).

When the status quo is successful, creating change is probably the most difficult task that a CEO faces. It is a situation in which, looking ahead, he or she senses trouble and feels the company must change direction before the storm breaks. One LSB, for instance, sensed that selling only commodities would slowly place his retail store in a disastrous competitive situation, so he started moving into specialties. The wisdom in this did not become apparent until years later.

Building a Robust Organization

For an organization to tolerate the change that responding to opportunity requires, the CEO must ensure that the organization is robust. By robust, I mean that it has a well-defined structure, an effective management team, specific plans for succession, established delivery systems, and, above all, people who have mastery of their jobs. (A robust organization might be defined as one that can function for reasonable lengths of time without its leader.)

One essential of building a robust organization is that the CEO must train others to do the work. As one LSB put it, "My partner made a suggestion that I take the individual who should be doing the job into the field with me: Work with him for awhile. This turned out to be a key move, since it gave that individual confidence to do the job."

Dealing with Employee Concerns

Closely related to building a robust organization, but so important that in my view it is a component in itself, is dealing effectively with employees. The CEO must be aware of the needs of his or her employees and must make a visible effort to see that those needs are fulfilled.

Building Solid Client/Customer Relationships

A CEO must see that his or her organization has a solid relationship with its customers or clients. Customers, given the chance to freely express their needs, can help the organization identify opportunities. A solid relationship also provides stability during periods of change when the organization is changing in response to the opportunities.

One LSB, for example, had periodic meetings with the senior people in organizations served by her company; in this way she could verify what she was hearing from her own people.

Providing Resources

No opportunistic change can be made without the resources—adequate staffing and sufficient funds—to accomplish it. Providing these resources is a primary concern of any CEO.

In particular, a great deal of the investment in a new company depends on the positive feelings that investors have toward the CEO.

Let's take a detailed look now at how the LSBs and LLCs respond to these leadership challenges.

Creating Change

Leadership starts with a vision but if it also ends there the CEO is only a visionary. The CEO must articulate what he or she sees, marshal resources to move toward that vision, and manage relationships with the people who will help fulfill it. Despite this, all the LLCs and LSBs seemed to have difficulty with the word *vision*. Perhaps this is because *vision* suggests sight, and sight suggests clarity, and I don't think any of the CEOs would say that they could focus clearly on the future toward which they were taking their organizations. As one of the LLCs said:

> I always thought of CEOs with clear vision, wise and all-powerful. I found that when I got there the reverse was true. The CEO does not know that what he does is going to be right in dealing with the whole world of the unknown and uncertainty.

Nevertheless, they have some sense of the situation, and that sense (regardless of whether it is called a vision) becomes the basis for intuitive decisions.

Martin Luther King's famous speech at the Lincoln Memorial did not say, "I have a vision" but "I have a dream," and perhaps the word *dream* better communicates the sense of the future that the CEOs have. Both the LLCs and the LSBs support the comment of one of the LSBs:

> Dreams do not get translated into reality without action.

Action requires a committed organization of implementers, people who have bought into the CEO's dream and are willing to pursue it vigorously. The leadership challenge here is to interface with key individuals or key groups of individuals. This is basically a question of communication and of setting goals. As one LSB said,

> Make sure everyone understands the goal. If you are in the valley and say, "Take the mountain," you have to explain which mountain we are going to take, why we are going to take it, how we are going to take it, and why it is important to take it.

That is not too different from the statement of one of the LLCs:

> A CEO must work with both the board and the management to accomplish what you want to do, and you have to earn the confidence of both groups. For example, setting goals: The management would set goals for their units and I would work with them. Then I would take these to the board. They would massage them and agree to the goals, then back to management, and now you have both the board and management agreeing to common goals. That certainly makes the CEO job a lot easier.

It makes the CEO's job easier since it overcomes one major communication hurdle: "Whither are we going?" And both groups discover it is simpler to get individuals to agree on a goal than it is to agree on the process of how to achieve that goal. But once a goal has been agreed to, then a plan can be negotiated.

Goals also illuminate the key implementers and the leader's relationship with them. The "how to" of the management of these key relationships is fundamental to being a successful leader. What are the high-priority relationships of the person who is running a small business, and how can each of these be strengthened for the benefit of the company?

Building a Robust Organization

Both the LSBs and the LLCs experience the tension of keeping the organization healthy in today's environment while at the same time sensing the environment of tomorrow and ensuring that the corporation is fit for future tribulations. Of all the issues involved in building a robust organization, the relative importance of top-management development and succession planning most clearly distinguishes between the two groups.

Succession planning receives much attention from LLCs. For instance, one, responding to the last of my three open-ended questions, said:

> I elected to reply to that question first, because I consider the whole matter of succession and development of people the most important of the CEO's responsibilities. As I see it, if we do a job in this area as well as we should, the organization should be able to move quickly and effectively to provide orderly succession as changes take place.

Contrast that to the answer to the same question from an LSB:

> My management succession plans? None so far. I see twenty, thirty years ahead of me, so I really haven't thought about it. My children are still in college, and assuming I don't come down with some major medical problem or some other huge unexpected event, that path won't change. I would address the issue of succession planning some time in the future. Whether that is right or wrong, I don't know.

Perhaps the interview question about succession planning is not appropriate for a young organization, as small businesses often are. A better question might have been, "What are you doing to build a top-management team?"

Out of a top-management team would come a succession plan. Failure to build a top-management team is, in my view, far more critical to the success of an enterprise than failure to have a succession plan, although the two are interrelated. This view was shared by one LSB:

> At this stage, were I to disappear from the scene, I think the company could cope. Up to just a year ago it would have been a shambles. I have made one of my objectives the strengthening of middle management and thus allowing the senior management team to take more responsibility. This has worked very well and we now have three internal candidates, any one of whom could take over. Depending what day of the week it is I would pick a different one of the three.

This is not a very sophisticated management-succession plan, but it has the sequencing correct: First strengthen middle management, giving senior management more freedom to take over some of the duties of the stretched CEO. The wise CEO realizes that one individual can only do so much and that there are other bases that must be covered if the company is to respond effectively to opportunities.

Developing top management also means seeing that all important organizational functions are provided for, and for small businesses this means that the CEO can't do everything. Any organization providing goods and service has three major functions: research and development, production, and marketing. To implement the provision of goods and service, there are two major management operations: the management of people and the management of money. At the start the founder may, depending on energy and intelligence, handle all five, but as the organization becomes larger he or she must decide which function is his or her particular forte and let go of the others.

What the founder lets go of can be very idiosyncratic, seeming dependent on the kind of thing he or she finds frustrating in the business world. As one of the LSBs said:

> My brother is the chief financial officer and controller. He takes care of all the financing, banking, insurance, etc. He's very much a system-oriented person who is constantly upgrading procedures, the computer system, the accounting systems, anything that makes the whole thing work better. He's a back-room guy and loves it, and that's great. I love having great systems and great procedures, but I don't like to do them.

Often the area that the entrepreneur chooses to relinquish is the financial one, and he or she concentrates on product development and marketing.

This does not mean that the CEO could not handle the accounts if pressed, but as one of the LSBs said:

> You have to go get a top guy to fill the void of things that you are no good at. You are going to argue like mad with him since he is going to see things completely different from the way you see them. I had a guy like that and after eighteen months I was ready to let him go. Then someone pointed out how fortunate I was to get those different vantage points and our relationship was terrific for the next twenty years. He respected me for my strengths and I respected him for his. We used to bug each other as we came at situations from different sides. So we would talk them out and come out with something much better. But we kept the idea alive. An idea in its infancy is very vulnerable.

Many of the LSBs concentrate on the challenge of providing goods and services to fill a hole in the marketplace, leaving the profitability and systems development to CPAs. But if no one performs that important financial function, then there soon might be no goods or services to fill the hole with. The savvy entrepreneurs covered that flank, often fighting with their financial officers but mostly focusing their energies on the effort to provide customers with what was needed. A balance is needed to keep the organization marching ahead—an interesting synergism on how these organizations function.

But as one LSB pointed out, going out and hiring someone to fill the void is always a risk. You can measure an individual's experience but you must work with that person for a while before you can evaluate his or her judgment and value system.

> I probably hired some people who were as risky as hell but I was too dumb to know it at the time. I hired one guy in 1980 who had some background I thought I wanted. He did have it and I did want it. But what he also had was a completely different value system. Since he was at a relatively high position, he was causing conflict, and damaging or destroying a positive culture we had going here.

Incompatibility is a two-way street and the LSB must research how much of the problem is his or hers and how much is due to the person they have hired to be part of their management team. One LSB put it this way:

> I believe people want to do their best. Each time I have a personnel issue, I have two choices to make about the manager: Can they accomplish the goals I've set out for them by the standards I expect to be met? I give them training, and if they can't meet the goals, I ask is it because of the training or is it because of them? By the latter I mean, is it because of lack of initiative, follow-through, drive, or dedication? If it is, then they are gone.

In a large company the newly appointed CEO usually comes from a group with whom he or she has worked for a number of years and which has good knowledge of his or her judgment and competence. The top group of senior management at Kodak was the Operations Committee, which was composed of twelve members. I had worked closely with eight of them at various jobs for over twenty years, and with two for thirteen years. The only one less than ten years was the general counsel, and he had been with the company for five years.

The LSB, typically lacking that wealth of background and knowledge, often turns to family members to assist in the business. Among the LLCs not one of them had a family member in a key position in the organization. In contrast, over half of the LSBs had family in key positions in the business. This presents a unique set of challenges to the LSBs.

Having family in the business contradicts one of Max Weber's tenets on the "ideal type" of organization.

> Each official in the organization maintains a social distance between himself and his subordinates.

Leaders, however, tend to surround themselves with people they can trust, individuals whose goals and values are not very different from their own, and family members frequently meet this criterion. In addition, the LSBs frequently were founding a new business, with accompanying high stakes, both financial and emotional, and the family was drawn into it.

> It was a classic start-up with $1,700. At that time we had two children and a mortgage, and my wife was not sold on the concept, but felt that I should take the risk anyway.

In this case, when the children were old enough to be on their own, the wife joined her husband in a key position in the company.

The unique set of problems faced by the CEO as a result of having family members in the business was described by one LSB whose brother was the vice president of production and whose wife was the vice president of marketing:

> Because it is family I look for constant reinforcement from my business partners. Remember if I lose a business partner, I lose a brother, I lose a wife. I don't think you can separate when you are dealing with family, the business, and the family relationship.

Another LSB had seven siblings, all of whom at some time or other had worked in the hundred-year-old family business, which had four successive generations running it. When he took over at age twenty-seven, the company had revenues of around $2 million and consisted of sixty people; in 1989, when he was interviewed, they had four hundred and twenty-five employees and revenues around $70 million. His comment on family in the business is interesting:

> I am one of eight kids, so I've had family pass through here; one . . . has been [here] for sixteen years. All of the other six have come and gone over time. Some of that was easy because they wanted to do something else. Some was hard because I had to fire them. That was really difficult. I and my remaining brother have a strong belief that this is a meritocracy rather than a family business. We had to make it apparent that everybody here had an equal shot at the good jobs regardless of their last name.

This LSB is adopting another Weber tenet:

> Employment in the organization is based on technical qualifications and is protected against arbitrary dismissal. Promotions are based on seniority and achievement.

Another of the LSBs had a very successful career as a West Point Army officer and later as a lawyer when his father, who had turned sixty-five, asked him to join the business. He describes the current situation:

> My father, who founded the business, still comes in. At seventy-five, he still has strong opinions about many things, and, depending on my frame of mind and on his frame of mind, we either negotiate those things or we wrestle about them. Being the original entrepreneur he feels no hesitation to get down into an issue, or to get involved in many major long-range plans on a moment's notice, so that father/son relationship is a constantly negotiated business relationship. He has no plans for disengagement. I think the last time I heard him talk about that, his plan was to die with his boots on.

The truth that underlies the cliché that "blood is thicker than water" is evident in this LSB's statement:

> The biggest challenge I have ever faced is coming to peace with my father: fighting his need to control, his very emotional reactions to problems, keeping a balanced approach to my own life and to the company, overcoming all of that in an effort to get close to him before he dies.

There is an undercurrent in a number of the interviews that the creator of the business would like to leave the business to his or her other creation: the children. This is balanced against a loyalty to the key employees that have helped them build the business to its current status. Answering the question, "What are your management-succession plans?" an LSB replied:

> I don't have any family that appears seriously interested in the business. My oldest daughter occasionally thinks and talks about it, but I don't see any specific move in that direction. I imagine I would sell all or part of the business to key management personnel.

Another reflects a similar reaction when discussing the introduction of his children into the business at a level where they would be possible candidates to take over his job.

> I have two children, a boy twenty-three and a girl twenty-two. Knowing the people we currently have in the management of the company it would be very difficult for me to imagine either one of my kids coming in and being over them. The management people are at least as academically qualified, and they have many years of experience my kids don't have.

The entry of the next generation into a family business thus represents a challenge to the LSB. Terence Pare's recent article in *Fortune* ("Passing on the Family Business") gives three commandments for success in this: Plan carefully and early, groom a successor, and be pragmatic about estate taxes.

The introduction of family into the business, however, has been positive in some cases. One of the LSBs credits a lot of the success of his business, a nursing agency servicing hospitals, to the time when his wife joined the operation.

> She has been a very significant factor in our having a smooth operation and in formulating our philosophies in dealing with people, which is doing what is right, not what is profitable. When a nurse has a problem out in the field she gets on the phone and calls the office. She gets a live answering service which accesses a member of management.
>
> If a nurse arrives at her assignment and the apartment where she is going to live is all shut up she calls the office. If we can get the apartment manager, we do; if we can't, we say go find a nice hotel, have dinner on us, and send us the receipt and everything will be fine in the morning.

Such consideration of the nurse's problem certainly generates a feeling of trust between the employee and the management of the company.

As one LSB stated, he wanted advancement in the company to be based on merit and not on one's last name. This feeling is sound if you expect the business to survive, but it means that any

family member introduced into the firm must exhibit this competence or there will not be acceptance by the organization. Being the "brightest nephew" is not enough; the bright nephew must know the business and have demonstrated ability to handle the complex problems of change. The family member must find his or her niche in the organization, prove his or her competence, and not expect any special favors because of the relationship with the CEO.

This situation was far different from that of the LLCs, who had no family members in key positions in the organization. The family relationship was separate from any business relationship. The relationship with key employees was solely one of positional authority and technical expertise.

Dealing with Employee Concerns

Probably in no area are the LSBs and the LLCs more alike than in their attitudes toward the people in their companies. Both groups realize that one key to building a robust organization is the employees. As one LSB said,

> I don't believe there is another issue more important for a small company than people. I am including finance, capitalization, market analysis, operational aspects. Understanding what processes are necessary for proper interviewing and hiring, and understanding what leadership is required to create a healthy environment should be priority one.

Another LSB said:

> Investing in human resources is one of my top priorities. It is the only way we can have meaningful growth. There is a thing you have got to do to get there. We don't have unlimited capital, but we have access to capital, so if we want to go borrow some money to get one of those facilities, we could do it tomorrow. But if we had a dodo to run it, you cannot make it.

Because they so well understand the importance of people, both groups have a great deal of concern for their employees. As one LLC put it,

> Perhaps the most difficult part of the CEO's job is the impact that necessary decisions have on people. When we had to cut back, as we did several times in my time as CEO, I shuddered inwardly considering the impact on the employees and the communities where the business operates.

This is not unlike the feelings of one of the LSBs:

> The poor guy out on the floor is feeling the crunch. We have to supply more products, more technology, better service, with fewer people, and operate on a thinner margin. I am not

> growing to eighteen million because I want to grow to eighteen million but because I have fifty-eight people I want to keep here. They work hard and they want raises, and the only way they can get raises is if we increase our market share and our market penetration. We really can't increase our margins. We can increase the type of products that we handle.

Given the importance of employees, there are several things that the LSBs do to ensure that this resource is used effectively. One is making sure that the right people are in the right places.

> A business like ours depends solely on its people. You have to have absolutely the very best people for each function. If you look at our company and you compare all the individuals in it for their function compared to our competitors, and I include myself, man to man we are better.

Another LSB said about employees:

> (1) Get them in the right job. We spent a lot of time figuring out what people were good at and what our needs were and making the two fit. (2) Provide proper training. Make sure people are exposed to new ideas.

But just being the right person in the right job is not enough. The LSB above finished the statement by saying:

> Make sure you reward and recognize their contribution.

I have always thought one of the more important communications that an organization has with its employees is the paycheck. Each time a person slits open that envelope, it communicates the value the organization puts on his or her contribution.

A number of the LSBs mentioned, in addition to straight salary, that they have stock-sharing plans for key employees. For example, employees of one of the small businesses own one-fourth of it.

Another LSB in the nurse-supplying business has a reward system which is part of the service-recognition program.

> The nurses sign up for thirteen-week stints and we would like them to string several of these stints together. So we came up with a service-recognition program. I copied the frequent-flyer programs of the airlines. Every week a nurse works for us she generates fifteen points per category in three categories. She accumulates these points and we give her a certificate at the end of each assignment. She can redeem these points in three different categories. One category is gifts; one is cash; and the third is a Club Med vacation including transportation, three meals a day, and all the facilities. A nurse has to work for us about a year to get enough points for a Club Med vacation.

Another LSB also instituted programs that not only rewarded people financially but also resulted in peer recognition, which was felt to be equally important.

> We rewarded them with programs we put in place financially. But probably the most important thing was peer recognition. People like to be recognized by their peers that they have contributed something. This is particularly true in the service industry, where teamwork is so important. We had one program called the 110% award. You could be nominated by your supervisor or another employee. We would give a little memento for your wall and 110% of one day's salary: enough to take your wife or husband out to dinner. And we gave the event enough publicity so that everyone knew about it. This way, people found out what was important to the company.

The CEO must, of course, do more than reward and recognize employees. He or she must gain their acceptance and motivate them in many ways. There are numerous quotations in the interviews with the LSBs and the LLCs that illustrate this. For instance:

> Leadership is something that you continue to earn.

> You don't have the job until your associates and employees in the various divisions accept you.

> In moments of reflection I often felt I was like a politician; the only difference was I never had to stand for an election. However, my constituency was the employees of the company.
>
> I also realize that strong visible leadership is important. I talk about growth to people and I give them opportunities in which to grow.

Two of the above are by LLCs and two are by LSBs. The CEO of any business is only a leader as long as he or she has followers. And followers know when their concerns are also the concerns of the leader. Interestingly, LLCs and LSBs often use similar methods to keep in touch with the concerns of employees. In the words of one LLC,

> I had rap sessions with people all over the country. Sometimes in groups of twenty to thirty, I tried to answer their questions written on three-by-five cards. If I couldn't provide an answer, I would tell them I would promptly respond by mail when I returned to home base. I would and the word got out. You've heard the expression "netma," translated "nobody ever tells me anything." Well, I was a good listener and would listen to what they had to say and get back to them. I might not agree with them—I might not do what they wanted—but they knew I understood their concerns.

Compare that with this statement from an LSB:

> Once a quarter I chair a meeting with every employee in this company. They get to hear from their president and get to throw the questions. I want to hear those questions, because they won't come through the door even though it is always open. I even have a sign-up sheet on the door so they can set an appointment but rarely anyone will. I want to hear from them and they won't tell me. So I have to make time to go to them on their terms and they can collectively get together and say what's bothering them. That is where the retirement plan came from. The average age in this company is twenty-three years old. I wasn't interested in a retirement plan when

> I was twenty-three, but in the shop meeting this came up as something they wanted. It is that type of commitment that keeps us growing and keeps me growing.

Getting people to express their concerns requires work. As one LSB put it,

> One thing I learned from a not-so-good mentor is that I want the people reporting to me to function in an environment of safety. I want them to be straight-up guys who are going to do exactly what they feel, but analyzing before they act. If they have any concerns, I want them to get them out on the table. I don't want them to be yes men.

Creating what is perceived as an atmosphere of safety is always a difficult task. I can remember once walking through a unit that I was director of and meeting one of my project-development engineers. Young and outspoken, he was quite bitter about a policy that had just been instituted, and he told me in no uncertain terms about all of the features that he felt had been ignored in the formulation of the policy. I was stunned by his vehemence and asked, "If you felt that strongly about this issue, why didn't you come up to my office and tell me about it?"

"Oh no," he said, "I'll talk to you like this here. I'll not do it in your office."

Thus he defined his atmosphere of safety.

Each of the interviewees had his or her own method of creating an atmosphere of safety for subordinates, depending on what each was comfortable with and using that style to accomplish the objective of gathering opinions and data. One LSB put it in these words:

> The leader of any organization sets the style of the organization. Find the style you are most comfortable with, since you have to be yourself. You have to know what you are good at and what you are not good at and know what your style communicates to people. My style is informal. I had meetings called "Food for Thought" once a month with employees from various departments in the company at all levels. I would invite about twelve to fourteen of them to lunch and we

would talk about whatever they wanted to talk about. I was very concerned about getting isolated in a rapidly growing company.

Although talking with the employees in an atmosphere of safety is important, listening to them is even more important. But just listening is not enough. One must listen with comprehension. At the same time, confrontational listening or listening while preparing to pounce is probably worse than not listening at all. Listening with empathy and understanding may not solve the problem, but the speaker knows that you are working hard to understand the problem from his or her viewpoint. (A sentiment I have always liked is: "Listen with your heart.")

If a CEO has trouble doing this, he or she can get help. One LSB told this story:

> When a nurse had a problem she would call the office and vent it. Whatever the problem was I ended up with the call since I was the one responsible for problem solving. When my wife joined the business I delegated this task to her. She was doing the job in a fraction of the time I required. She is a social worker, trained to hear what is being said as well as what is not being said. Social workers are very perceptive, they live on the phone, and they have a wonderful ability to put things in perspective.

As a result of this experience he made a point of wherever possible in his company having individuals who were trained as social workers interface with the nurses. He feels this gives him an advantage over the competition. Listening with comprehension to what the other individual is saying is an important part of building trust, and trust is the keystone of good relationships.

Warren Bennis in his book *On Becoming a Leader* (page 164) has a section, entitled "Integrity is the Basis of Trust," in which he develops the proposition that if there is anything that undermines trust it is the feeling that the people at the top lack integrity.

One of the LSBs discussed the importance of this in the motivation of the people in her organization.

> A very important part of integrity is with your employees. I was fortunate to work with a group of people that would rally around the flag no matter how dismal it seemed. A large part of that was due to the fact we were always honest with them. We told our people what was going on, if we couldn't tell them we told them we couldn't tell them and told them why not and when we would tell them. There was a complete trust level in the senior management of the company. A lot of the can-do spirit our people had was they trusted each other, and they trusted the senior management.

Trust comes from sharing. One LSB shared in this way:

> Today is the day I share our financial information with all the front-line managers. This is something different in a closely held corporation. They get to look at it, deal with it, how can we make it better.

Perhaps the most important thing to be shared, however, is purpose. There are times when the followers do not share the organizational goals of the CEO, usually because they do not feel the goals are in their self-interest. At this point the CEO must clearly communicate that the goals are the best ones possible, but always emphasizing, "I have studied other options and concluded this is the best way to accomplish what we all want. If and when different circumstances arise, then I'll consider adjustments and I'll keep you informed." The CEO must be clear about the when, what, how, and why.

Another important point is that each employee must be treated as an individual. Consider the hiring halls of the 1920s, places where the new immigrants gathered to look for work. The job-offerers would come in looking for so many hands (in those days much of the work was done by hand). Unfortunately, as long as the job-offerers thought of the people they were hiring as "hands" and not as complete humans, employee-employer relationships were stunted.

Many innovative business plans have come from businesspeople who worked side by side with the people they had hired—seeing their needs, hearing their concerns, and responding to these.

There is the story of George Eastman, the head of a successful mid-sized firm in the early 1900s, who one morning met on the sidewalk an individual he had hired some twenty years before. "Joe," he asked, "why aren't you at work?"

"I was fired yesterday."

"Why?"

"Can't do the work. My eyes aren't as good as they used to be and I can't pick up the little differences in quality anymore. I told them that and they let me go."

That afternoon Joe was back at work—not in the job he couldn't do but in one that he could do with some training. George Eastman saw Joe not as a pair of hands or eyes but as a complete individual.

In summary, the LSBs and LLCs are similar in their understanding of the importance of dealing with employee concerns; but, because small companies do not have the depth in human resources that large companies do, it is especially important for them to get the best available person for each job, create an environment in which the person does not feel choked by rules and regulations, and provide reward and recognition so that everyone feels that he or she is an individual and shares equitably in the growth of the corporation.

Building Solid Client/Customer Relationships

In my interviews with LLCs there was little or no mention of customers. (Apparently at that time the LLCs had delegated that concern to their senior marketing people.) In contrast, keeping an eye on the customer, listening to his or her needs, is probably the most important relationship for LSBs. One put it this way:

> Our model is Nordstrom, they go the second mile for the individual. Our mission statement, like theirs, is that we treat our customers so well that they will tell stories about us.

And to prove the point he proceeded to tell me a story about how well Nordstrom had treated him when he bought a pair of slacks that needed adjustment.

I was astonished by the number of LSBs who take phone calls direct from the customers as a way of keeping in touch with the market.

> You get people calling up demanding to speak to the president; we get a barrage of letters but nothing beats a phone call. Nothing beats a client coming on the line telling you how they use our product differently from the competitors and how they have thrown away the market leader's product. They take you through everything, including most of the thought process you went through; you always get some new information.

That CEO has a good feel of the marketplace and what the customer wants, and spends time communicating this through the organization.

> It is not enough that you know it, or the market research people know it, or one person in product design knows it; everybody has to understand what service it is we are providing. This translates through the entire organization. It translates through the R&D group in their mind-set, and it is incredibly important in manufacturing which many people underestimate.

> Manufacturing people do make changes in their systems, and those changes end up affecting your market share. If they understand what is important, it keeps their eye on what to change. Sometimes they can improve the product dramatically through process improvements. This ends up helping your market share. And of course the marketers, they tend to have a better memory for this sort of thing. Once you know what is important, everybody in the organization has to understand it.
>
> To some extent we have achieved that but we still have a long way to go in the organization. The management team understands it and they keep trying to get it out in the organization.

Another LSB had a motto over the front door:

> To achieve the highest level of client satisfaction of any general contractor in the Southeast.

He explained that this was something that was non-negotiable with him.

> Our motto is everywhere. It's on our letterhead, on our business cards, we use it both internally and externally. Our suppliers see it when it comes up on the computer.

Yet another LSB devoted one day a week to traveling with one of the salesmen.

The fourteen LSBs interviewed had the importance of the customer built into their way of doing business. They knew that without customers there is no business and that customer interface does not end with the sale of the product.

The focus however is not only on the customer per se but on the needs of that customer and whether one's product or service will satisfy that need. Once you have found the hole, can you fill it?

> The main thing was looking for opportunities in the marketplace and fulfilling that need for the public: looking for something that is a little offbeat rather than selling commodities. I enjoy much more selling specialties. The biggest challenge

> is to first find the product, constantly finding a product that was going to be exciting and unusual to the customer. I always wanted to have a unique identity.

The LSB tends to be more hands-on than the LLC, much like the owner of a medium-sized farm. His or her relationship is with the people who do the planting and the plowing, with the people who purchase the produce at the marketplace, and with the banks that provide financing. (The LLC is like the captain of the Queen Mary, running the ship by instruments and reports, and having personal contacts only with the senior officers.)

When I think of the LSBs I often am reminded of the classic image of the farmer walking out into a field, reaching down and getting a handful of soil and letting it sift through his fingers. LSBs walk out into the market and reach out to get a feel for the opportunities there.

I have already mentioned taking phone calls, riding with salesmen on their rounds, bragging about it with signs and letterhead emblazonments. Two other incidents will illustrate further how LSBs go about keeping in touch with their clients or customers:

> I cannot emphasize enough the listening part of communications. I made it a practice to touch base with all of the senior people of all of our clients, to take them out to lunch and question, "How are we doing and how are things going?" Don't assume everything is fine because all of our people are saying that it is fine. Find out from the client whether it is fine. People don't listen to customers a lot. From them we got new product ideas and that things were not going as well as they might. Some things got filtered by the time it got to me, or their antennas were just not picking it up.

And another LSB said:

> We try to have a very good quality product, heavy duty and bombproof, so we don't have any problems with it, but our real forte is this customer-service issue. What we say, we do, so that the customer learns to rely on us. He doesn't have to double- and triple-check, worrying whether we are going to show up with the product when promised. Another example

is our warranty policy, if in any way we have contributed to the breakdown of a product in design by not listening to the customer carefully enough and identifying what he wanted, we repair it immediately and do it graciously. This helps our customer, who is the tractor dealer, with his customer and really does make us a hero in the eyes of both. We are overgenerous with our warranties since we consider them a marketing tool and not a pain in the butt.

Customers or clients buy products or services because of what those products or services do for them. It is important that every member of a company, not just those in marketing, know this and act accordingly. I know a Kodak manager who, while on a rafting trip in the Grand Canyon, spent the best part of a night taking apart, cleaning, and reassembling a Kodak camera that one of his fellow rafters, a person he had just met, had gotten wet and dirty. When I asked him why, he replied, "As long as I'm paid by the company it's my job to help a customer."

That was not in his formal job description, of course, but maybe it should have been. Maybe it should be in the job description of everyone who is paid by a business enterprise. I get turned off by an employee of a store who tells me, "That's not my department." Oh yes it is. I'm a customer and I'm in your store, and if you want to continue to have employment then you better help customers like me solve problems.

The CEO must make sure that employees get this message. There was a period in my career at Kodak that I was the supervisor of a number of engineers called the Product Service Group. We were in the paper division and it was our job to travel with salesmen and interface with customers on how well the current products were meeting their needs. Most of these customers were people running small businesses such as portrait studios and photofinishing operations, and our products were a supply they needed to satisfy their customers. The important lesson that I learned from this experience was the need to make the product fit the way the customer actually used it, not the way engineers thought they should use it. Successful companies follow this precept. For instance, if householders do not follow the oiling schedule for small electric motors, then make motors that do not require oiling.

To follow the precept, one must walk in the shoes of the customer. This theme, in fact, runs through many of the interviews.

One LSB, whose company makes a system for blood glucose monitoring, expressed it this way:

> One of my biography chapters would be understanding the user, which in our case is the patient. In another context it might be understanding the customer and the marketplace. You have to understand the emotions and the trauma that the patient is going through, and then how those emotions translate into what they look for in the product. Then you begin to differentiate those little subtleties that you need to put into your product to differentiate it from the competitor. The final part is once having learned it, you don't forget it.

It is not surprising that LSBs are strong in the area of customer relations. Many of them, when their businesses were starting, were the number one salesman, and so they have an intimate knowledge of the customers and their needs. Also, it is continually apparent in small businesses, much more so than in large ones, that financing comes from money the customer or client spends on a product or service. Perhaps this is an area that the LLCs could learn from the LSBs.

Providing Resources

Providing resources, particularly financial resources, is a major leadership challenge for LSBs. They get money from many sources: for instance, from their own resources or from family and friends, from private investors, from large companies seeking a beachhead in a particular area, and from venture capital companies. Not surprisingly, however, the majority in this study got their financing from banks. As one stated:

> Many books have been written on how to deal with bankers. This information is important to the small-business person since banks are the major source of capital as compared to public equity for larger corporations.

Another LSB told this story:

> As a woman I had to learn how to deal with discrimination [in banking]. My accountant recommended a lady banker after the first banker had turned me down. She couldn't loan over $10,000 without getting approval. She finally got a male vice president to approve a loan of $20,000. I was able to raise the other $3,000. My biggest challenge was putting together financing to buy the company.

Financing, of course, is not only a problem when starting out. It is continuous. I once attended a speech on organizational issues in which the speaker said, "The most perfect organization I know is the human body. The purpose of the human body is not to make blood, but when the body stops making blood the organization dies." The businesses the LSBs had founded had to make money or the business would die. A major problem is payroll.

> When I became the owner . . . I became solely and absolutely responsible for meeting the payroll. It was very scary. I eventually learned the game of cash flow.

A lack of funds to pursue the kind of investment opportunities needed for the future of the enterprise was also a source of frustration for almost all of the LSBs.

We have as a company more products that we are able to develop than we have money to develop. We are constrained by the ability to raise money. I do the money raising. When you are in a small company the investors tend to invest on what they see and feel about the CEO, whether they get a warm fuzzy feeling about him. The thing that frustrates me most is the shortage of money. It is also something that frustrates the whole organization because they will say, "Why aren't we developing this product; it is better than anything the competition has on their agenda?" The answer is always you are right but we don't have the money. This is why many small companies sell out to a big company that has the resources. But then the free spirit gets buried in the imposed bureaucracy of the big company and the good people leave.

Another LSB, who was on his second small-business experience, touched on a number of financial points:

My first business was a clinical medical laboratory that I started with three partners. I started the business with a loan of $8,000 to me; the other partners had the clinical expertise. When the business started to become a success I wanted it to grow. I had no training in business but I knew instinctively that when you start generating revenue you have to put it back into the business to make it grow. My partners out-voted me and decided to run the business for the cash income rather than for growth. This was not for me, so they paid me back my original investment and I departed. The business eventually failed.

My second try at business . . . was a classic start-up, with an investment of $1,700. With phone calls and visits to directors of nursing, I would ask, "What do you like and what don't you like?" They told me and I responded. One of the things they did not want was to have the nurses on someone else's payroll. They wanted them on their payroll for accountability and cost-savings purposes. That was fine with me because I didn't have any money to start a payroll at that time. Once you start payrolling people you cannot wait very long to get the money back or the cash flow will kill you. At this point in the company's operation all I did was pay for the

airfare, which I put on my American Express card. By the time the American Express bill was due, the hospital had paid me.

Working with financial resources, finding funding to start, maintain, and expand the business, is clearly a leadership challenge that LSBs could use help in facing.

Comparing LSBs and LLCs: Owners and Stewards

Although LSBs and LLCs share the same fundamental leadership challenges, there are striking differences in how they meet these challenges. These differences, I believe, have their origin in the two distinct roles that they play: LSBs are owners, whereas LLCs are stewards.

I don't know what the words *owner* and *steward* conjure up in the mind of the reader, so let me clarify. An owner controls financially (as a part of his or her own wealth) over fifty percent of the net assets of a corporation. A steward is given responsibility, by the shareholders, of leading a corporation for a given period of time. (I must emphasize here that being a steward is not the same as being a caretaker: A caretaker merely maintains, whereas a steward seeks to improve.)

How do these distinct roles affect what the CEOs do? Let me give you examples of their effect in planning for succession, developing top management, dealing with customers, and working with rules.

Planning for Succession

I mentioned above that LSBs do not generally pay much attention to planning for a successor. When they do, it is usually because they have been forced to because of illness or because investors or the bank insist upon it.

I think this difference in succession planning is directly attributable to the distinction between a steward and an owner: The LLC, as a steward, knows how long his or her tenure will be; the LSB, as an owner, knows no such limit.

Very simply, the two groups are differentially affected by what I call *terminal time*. In general, individuals behave differently if they know or can accurately predict when something will end. LLCs know when they must retire, and that causes them to structure their work accordingly, devoting much time planning who will succeed them and driving to finish those tasks they wish to complete. Among the big companies succession planning has been built into the culture of the organization with yearly reviews for all

divisions and a review of the current CEO and the outside members of the board of directors. In contrast, LSBs do not typically know when they will retire, and succession planning becomes a back-burner issue.

In short, the LLC knows that at a specific time he or she must pass the baton to a successor; the LSB holds the baton tightly, treating it more like a scepter.

Developing Top Management

The development of a top-management team can be directly affected by the CEO's being an owner instead of a steward. As noted above, not one of the LLCs had a family member in a key position in his or her corporation, whereas more than half of the LSBs did.

It is understandable why this is the case. An owner typically has assumed a lot of risk, including putting up personal resources, in the effort to start the business. The involvement of family members, because they are affected both financially and emotionally by the outcome, is not surprising. Having a stake in the outcome is no substitute for managerial ability, however, and it is important that the presence of family members not be allowed to distract the LSB from the development of a top-management team.

Dealing with Customers

I have already described how LSBs are often personally involved with customers, whereas LLCs typically delegate this concern to their marketing people. There are undoubtedly many factors contributing to this difference in how customers are dealt with, but I think a major one is the distinction between the roles of owner and steward.

The LSB, as an owner, often invested him- or herself in the cultivation of key customers that would help make the business viable. It is likely, then, that he or she would continue to remain close to customers. The LLC, on the other hand, inherited customers who are anonymous members of a large market served by the corporation.

In addition, the LLC, as a steward, has to maintain a balanced relationship among shareholders, employees, and customers.

He or she must be a base-toucher and consensus-builder in order to get action—especially as boards of directors get more and more assertive. The LSB only has to balance employees and customers, which leaves more time for customers. And, although building consensus may be a good thing for the LSB to do, it is not a necessity.

Working with Rules

Rules, although they are often the cause for complaints in corporations, are the glue holding things together. At times, of course, they can also impair creativity, so in any business there is the tension of when to ignore and when to abide by them.

LSBs and LLCs have a different appreciation for rules. When starting their businesses, the LSBs had no rules to deal with and created them only as they went along. As one LSB said:

> There is no one I model after in business. I make up my rules as I go along.

LLCs, on the other hand, have been given the stewardship of an organization with an already-established set of rules, and changing them usually requires more than unilateral action.

Because rules govern virtually every aspect of a business, this difference in appreciation for them can play out in anything that the LSBs and LLCs do. It is thus a key to understanding the strengths and the weaknesses of members of either group.

Many other, less striking, differences between the two groups could also be explained by the distinction between ownership and stewardship, but I leave this to the reader and turn to the important topic of the developmental needs of LSBs.

Assisting the Leadership Development of LSBs

It is clear from my interviews with LSBs that they have important leadership-development needs. Among the most important are: learning to deal with the meshing of family and business relationships; improving the selection and training of top management; developing the ability to be a follower when necessary; developing the ability to work effectively with rules; and creating a learning network for themselves.

Learning to Deal with the Meshing of Family and Business Relationships

Many large corporations or divisions of large organizations adopt a nepotism policy so they won't have to deal at all with family members at work. Small businesses typically cannot do this: The family and the business is one unit, and learning to cope with the husband/wife, brother/brother, supervisor/subordinate relationships is a clear developmental need for the LSBs and their families.

Many organizations, including the Center, offer quality leadership training programs that help participants understand themselves and their behavior in different roles and situations. Adaptions of this type of self-awareness training could be very beneficial to the LSBs and family members who are in key positions in the business.

The Selection and Training of Top Management

Not only to make up for their own weaknesses but also to facilitate finding a successor, LSBs need to improve their selection and training of top management. Large corporations have developed techniques in this area that should be helpful to LSBs.

The Ability to Follow

LLCs have the advantage of long experience within an organization before being put in the role of CEO. They have long ago

learned to subordinate their personal views to others while moving up the corporate ladder; have skillfully learned the very difficult dual role of being a leader of one's own unit while being a follower of a larger unit; and have learned how to carry out what the boss wants done and still preserve their distinctly personal style. They have also learned how to present their ideas in a nonconfrontational manner to their bosses, backing off if necessary. These are followership skills.

The value of followership training is when you finally get to the top job you are very sensitive to the concept of multiple options and that there might be, and probably is, a better way than yours. The ability of a CEO—or any leader—to do this can be critical. History is full of the tragic consequences of leaders who did not listen to their subordinates.

The Ability to Work with Rules

The ability to work with rules is a clear developmental need for LSBs. The challenge for the leader of any business, once it is firmly established, is to enact rules slowly and not throw them at each situation that arises, and to review them periodically to see if they are still valid in a changing environment.

The need to develop followership and rule skills are both the result of LSBs not having had the opportunity, enjoyed by the LLCs, to learn the lessons of organizational experience. All the LLCs I interviewed had moved up through the organization in a series of developmental assignments; they came to the job of CEO with a familiarity with the company operations and culture and with an idea about what the job required. The LSBs had often jumped right into the CEO role, and they advanced basically by trial and error.

There are undoubtedly other developmental needs related to this difference in preparation, but, based on my talks with LSBs, I think there is an immediate need for assistance in developing followership and rule skills.

Creating a Learning Network

The LSB faces the problem of finding someone who has knowledge of his or her predicament as CEO and who, at the same time, is "agenda neutral." "It's lonely at the top" is not just a cliché. Most people solve problems by conversation and listening to responses. LLCs, in general, have more resources for doing this than LSBs. LLCs use the outside members of the board of directors, as well as large management-consulting firms. LSBs use private consultants (when feasible) or groups like the Young President's Council or The Executive Committee (TEC).

> My reason for joining TEC was that I was lonely. I had business associates but I could not get down to nitty-grittys with them. When TEC came around I joined because it answered a lot of my needs. I had people with whom I could talk frankly, in confidence, and who could give me neutral advice because they had no axe to grind.

Nine out of the fourteen LSBs spoke of the need to converse with someone who could ask the right questions and share some of their experiences when confronted with a similar dilemma:

> I joined TEC because there are some issues that are very difficult to bounce off senior staff; the mere mention of the issue means that you are thinking about something that may be uncomfortable for some people. There are just some issues you want to get a reading on, not often but occasionally, and the people at TEC are very helpful on those kinds of issues. So I get a lot of support on these kinds of difficult decisions. The people at TEC analyze and ask me questions that I may not have asked myself about the issue. That is very helpful.

Peter Drucker in his book *Innovation and Entrepreneurship* talks about entrepreneurs as managers of the enterprise they founded:

> The growing new venture may not need a formal board of directors. Moreover, the typical board of directors very often does not provide the advice and counsel the founder needs. But the founder does need people with whom he can discuss

> basic decisions and to whom he listens. Such people are rarely to be found within the enterprise. Somebody has to challenge the founder's appraisal of the needs of the venture and of his own personal strengths. Someone who is not a part of the problem has to ask questions, to review decisions and, above all, to push constantly to have the long-term survival needs of the new venture satisfied by building in the market focus, supplying financial foresight, and creating a functioning top management team.

There is clearly, therefore, a need for LSBs to form a group, or create a network, to help them in these areas. Any group looking to address this need must, in my view, provide the following three things:

1. Ample time. Sessions should be structured so that the LSBs have an opportunity to pose a current problem and suggest possible solutions. There should be time to share and analyze each other's experiences and the circumstance of that experience.

2. The opportunity to meet experts in the field, speakers that expose the LSBs to different global viewpoints. (Subjects that obviously need coverage are: succession planning—how large corporations prepare their succession-planning process and how these could be modified to fit a small business; dealing with family in the business—an examination of the upsides and downsides of having family in the business; providing resources, both financial and personal, for the organization; forecasting techniques, with much emphasis on the pros and cons of such a service; and how to maintain the innovative spirit of individuals in the organization.)

3. Counseling with someone who is agenda neutral and who understands the nature of LSB problems and can give the individual a chance to talk out various modes of action. This should be an ongoing relationship, not just a one-shot encounter.

Whether by design or by listening to clients, TEC has arrived at the above format, but there are a lot of people running small business who are not currently reached by TEC or other similar groups. The need here is not just an occasional course or seminar but rather an in-depth exposure to their peers and consultation on an ongoing basis.

The exposure to the comments of peers is particularly important. There must be adequate time for peer-experience transfer.

Small-business leaders are a special population with different challenges than the CEOs of large corporations. They need to attend to different areas for growth. Also their problems are often quite different from an individual leading a subsidiary or division of a large company, who has the safety net of both people and financial resources. Learning by doing is a very powerful teaching device, but only when combined with a critical analysis of the experience either by the individual or a professional trained to explore and analyze the happening. Without the analysis there is always a question of how effective the learning is. There is truth in the adage that "one does not learn from experience, one learns from analyzed experiences."

Some Final Words

The LLCs, like the leaders of any business, seek to exploit the opportunities they see. They face a major constraint in doing this however: Their companies are large and therefore often slow to accommodate change. Thus, they must take a pragmatic approach to opportunity because only so much can be done. At the same time, the decisions they make about those opportunities are based on a vision that is largely intuitive. That is why I call this group *intuitive pragmatists*.

The LSBs, on the other hand, have four strong attributes in common: They are very creative; their creative ideas far exceed available resources; they are willing to bet on themselves and their ability to accomplish what they want to do; and they are able to seize opportunities.

This urge to create, and a willingness to gamble everything on their ability to make whatever they created successful, coupled with a continued desire for personal growth, was striking in all of the LSB interviews.

Another striking thing was their motivation: a desire for the independence that running their own businesses gives them (five are in businesses that their families had owned; four are in businesses that were in deep trouble when they took over; and five had started their own businesses from scratch). At times, they almost sounded like freedom fighters struggling to break free from the chains of bureaucratic bondage. As one LSB put it,

> A huge difference between working for yourself and working for a large company is the ability to take risks. Large companies are structured to minimize failure, not to maximize opportunities. If I failed, it fell squarely in my lap.

To the entrepreneur, change is a given, whether it is the opening up of shopping malls, taking advantage of the shortage of nurses, tracking of frequent-flyer bonuses, opening chains of neighborhood drug stores, or improving the ability of the diabetic to monitor his or her own blood sugar. All of these represent opportunities, and the entrepreneur moves in quickly with a good or service to exploit this opportunity. The innovation is not necessarily "high

tech" (of the fourteen LSB interviewees, I would classify only two as being in a "high-tech" area), but all rode the crest of the changing world. This is why I call them *creative opportunists*.

These two groups can learn from each other. And the best developmental program would bring them together to do that—to share their experiences in a meaningful way.

Appendix A:
Background and Methodology

In August 1986 the Center for Creative Leadership published my report *The Intuitive Pragmatists: Conversations with Chief Executive Officers.* The method of collecting data was by an open-ended interview which lasted between two and three hours. Before the interviews I had sent each CEO three questions:

1. Were you to write a biography of your tenure as a CEO what would be the chapter headings? Describe context, situation, and the players. Where do you think you learned to act in the manner you describe?

2. Describe the similarities or dissimilarities of the CEO job and other top managerial jobs you held in the company. It may be helpful to describe similar situations and describe how you would or did handle them differently as a top manager and as a CEO.

3. Describe your succession planning process. At what point did this become a top priority?

After the interviews the notes were written up and sent to the interviewees for corrections, additions, and deletions. In most cases, there were only minor editorial changes, corrections of some facts, and occasionally the softening of words used in speech that appeared stronger than intended in print. In no case was any of the main content of the interviews changed.

At the time of publication of the report thirteen interviews with retired CEOs of large corporations were completed. Of these, one preferred to remain anonymous. The others gave permission to use their names. They were:

Name	CEO of
James W. McSwiney	Mead Corporation
C. William Verity, Jr.	Armco
Robert S. Hatfield	Continental
John W. Hanley	Monsanto
Edward F. Carlson	UAL
Raymond L. Watson	Irvine Corporation
Richard R. Shinn	Metropolitan
Thomas A. Murphy	General Motors

Maurice F. Granville	Texaco
William F. May	American Can
Jerry McAfee	Gulf Oil
Paul Lyet	Sperry

In October 1986 I conducted an interview using the same questions with:

Charles Brown	AT&T

Bill Williams, the current president and CEO of The Executive Committee, read the report regarding my interviews with the CEOs of large companies and wondered if I were interested in doing similar research at much smaller companies, because if I were he could provide some interesting people to be interviewed. I conferred with Walt Ulmer, the president and CEO of the Center for Creative Leadership, and we decided to go ahead.

A decision was made to use the same sample size (fourteen) in the second study as in the first and to use the same questions. However there was one major difference between study methodology. In the first study of retired CEOs of large companies we could research the corporation in publications such as *Moody's* and *Standard and Poor's*. With the small companies the first question was, "Tell me something about the business and how you came to be the CEO."

The answer to that question supplied background information about the business as well as the individual. Following that question we could then use the same series of questions as were used in the previous study. I was assisted in the interview process by Marian Ruderman and Robert Gregory.

The businesses could be divided generally into four categories: service, retail, contractors and developers, and manufactured products. See Table 1 for information about the interviewees and their companies.

Table 1.
Information on the CEOs of Small Businesses Who Were Interviewed

Name	Company	Product or Service	Annual Revenue	Number of Employees
Gordon Bailey	Gordon Bailey and Associates	Advertising	5	50 full time, 100 part time
Kozell Boren	Gulf Development, Inc.	Outdoor signs	16	280 full time
Elaine Davis	American Home Health Care, Inc.	Home health care	13	135 full time
Brian Fisher		Printed circuits	18	58 full time
Peter Ganahl	Ganahl Lumber Company	Lumber	70	425 full time
Don Guild	The Guild Ltd.	Drugs chain/antiques chain	60	800 full time/ part time
Richard Hawthorne	Hawthorne Development Co.	Development		
Randy Mahaffey	Plymart's	Prefinished wall panels	52	270 full time, 6 part time
Bruce Male	TravCorps, Inc.	Temporary nursing	45	100 full time, 1,000 active[a]
Bruce McCann	McCann Construction Company, Inc.	Development	30	25 full time, 600 temporary
Barbara Mowry	MPI	Database marketing	70	900 full time
Kieran O'Neill	Ed Taylor Construction Company	General contracting	90	400 full time
Steven Perryman	Gannon Manufacturing Co., Inc.	Construction equipment attachments	8	75 full time
Ron Zwanziger	MediSense	Blood analysis	30	490 full time

Note. Annual revenue is given in millions of dollars.

[a]Approximate number out on assignment at any given time.

Appendix B:
Relationship with The Executive Committee (TEC)

For a rigorous research study of small business there is no doubt the sample of fourteen was biased, since all were members of TEC, and there is no question of the effect being part of that group had on the members. But the biggest effect on the individuals was the exposure to their peers. The TEC format is such that fifty percent of the one-day-per-month sessions are devoted to vigorous discussions of issues. My feeling is that these sessions seemed to reinforce the instinctive relationships that the individuals had with their client/customers, and their employees, and cause them to look more critically with improved tools at the financial side.

The TEC was founded in 1957 by a Milwaukee manufacturer named Robert Nourse who sought a forum for informal exchange among high-powered executives. The TEC today has over 2,500 members nationally and groups in England, Japan, Australia, and Canada. The organization consists of groups of twelve to fifteen small-company CEOs not in competitive businesses. Issues are addressed in day-long meetings that are held once a month and chaired by a paid facilitator. Most group meetings also feature a presentation by a resource expert in one of many fields. A computerized network is kept updated so the members can avail themselves of one another's expertise across the country. In addition each member meets individually with the chair for at least two hours a month to help implement ideas from past meetings and identify issues for future meetings.

TEC, with chapters in every major city in the U.S., describes its mission as follows: "The TEC organization and the TEC members are dedicated to increasing the effectiveness and enhancing the lives of CEOs. This is a shared responsibility that has the commitment of the staff and all the CEOs who join TEC. We value personal growth, sharing, and trust. We believe we can and do make a positive impact on each other and our organizations."

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